



Republican Policy Committee

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Congress Pushes Tax Cuts, President Pushes Tax Hikes

Congress and Clinton on Taxes: Difference is Like Day and Night

The differences between the Majority party in Congress and the President's party on the issue of taxes is a study in contrasts: tax cuts versus tax hikes, less instead of more, low rather than high. The differences are like day and night.

- ☞ First, there was the **Clinton tax hike** in 1993 — the largest in America's history.
- ☞ This was followed by a **second attempt to increase taxes** by an even larger amount with his nationalized health care plan.
- ☞ After the 1994 elections removed the President's party from control of Congress, the new Majority party's response was to pass in 1995 the **largest tax cut** since the Reagan era. Lacking the votes in Congress to stop it, President Clinton vetoed the tax cut in order to maintain the nation's tax burden.
- ☞ In 1996, the Majority Party defeated the President's party's **attempts to add tax increases** in the budget resolution, and instead included a single tax cut from the plan vetoed by President Clinton: the \$500-per-child credit. Since President Clinton vetoed this tax cut last year and since he refuses to agree to any savings that could pay for this tax cut, its enactment is doubtful.

In the face of such intransigence, the Majority party in Congress has been forced to make only minor adjustments rather than the major tax relief they would like to provide: an increase in the Social Security earnings limit; small-business tax breaks; and a repeal of the 1993 gas tax hike (which continues to be subject to a filibuster conducted by the President's party).

- **President Clinton's 1993 Tax Increase:** In 1993, President Clinton proposed, and pushed through Congress without a single vote from the other side, the largest tax hike in U.S. history — \$275.6 billion in new taxes over five years. These included \$114.8 billion in new income taxes, \$24 billion in additional gas taxes, \$34.9 billion in business taxes, \$29 billion in payroll taxes and \$24.6 billion in new Social Security taxes. If you worked, were retired, drove a car, owned a business, or paid income taxes, you paid for Clinton's 1993 tax increase.

- **President Clinton's Failed 1994 Tax Hike:** As part of his plan to take over America's health care industry, Clinton proposed a \$289 billion (FY 96-FY 2004) increase the year after his record-breaking tax hike. This time Clinton failed.
- **The New Majority's 1995 Tax Cut:** In response to the Clinton tax hike, Congress's new Majority after the 1994 elections proposed and passed a \$245 billion tax cut (that simultaneously closed approximately \$20 billion in corporate loopholes). The package provided the middle-class tax relief Clinton had promised but never delivered — a \$500/child tax credit, marriage penalty relief, adoption credit, enhanced IRA provisions, pro-growth incentives, health care assistance, and small business relief. Despite Clinton's 1992 campaign promise, he vetoed this tax relief package.
- **The 1996 Tax Standoff:** After respective failures by the White House to raise and Congress to cut taxes by over \$200 billion, a standoff developed. After successive attempts to raise taxes almost \$600 billion, Clinton's budget proposal this year contained just \$90 billion in new taxes. However, in the Senate, the President's party attempted to make up the difference by proposing eight amendments to the FY 1997 budget resolution, which, had they been accepted, would have increased taxes by a combined \$295.6 billion over six years. All eight attempts failed, but only due to the opposition of the new Majority. This marked the third time that the President or his party had voted to raise almost \$300 billion in new taxes in three years.

After the veto of a middle-class, pro-growth tax cut, the Majority party in Congress first concentrated on stopping further Clinton increases and then pushed a smaller tax cut that might have a better chance of surviving a Clinton veto. The result was a \$122 billion tax cut aimed exclusively at providing a \$500-per-child family tax cut.

- **Offsetting Clinton's Tax Hikes:** President Clinton's obstinate refusal to allow any significant tax cuts during his administration has forced the Congress to find ways to offset his massive 1993 tax increase. Three ways have been tried. First was to increase the Social Security earnings limit — the amount of money that seniors can earn without having their Social Security benefits cut. Second, Congress passed a \$21 billion small-business tax package of targeted tax relief for those businesses that will bear the brunt of the cost of a minimum wage increase. Finally, Congress under the leadership of then-Senate Majority Leader Dole attempted to repeal the Clinton gas tax hike of 1993; Senate Minority party members have thus far stopped this attempt with a filibuster.

The Tax Scorecard

Clinton and his party: almost \$900 billion in passed or proposed tax hikes. The Majority party in Congress: \$245 billion in vetoed middle-class tax relief.

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